

TEACHERS' RETIREMENT BOARD
SUBCOMMITTEE ON CORPORATE GOVERNANCE

SUBJECT: Approval of Minutes of the October 2, 2002
Subcommittee on Corporate Governance, Open Session

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: November 6, 2002

INFORMATION:

PRESENTER(S): Chairperson

Proposed minutes of the Subcommittee on Corporate Governance meeting held in open session October 2, 2002 are submitted as Attachment 1.

**PROPOSED
MINUTES OF THE
SUBCOMMITTEE ON CORPORATE GOVERNANCE
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
OCTOBER 2, 2002
OPEN SESSION
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

SUBCOMMITTEE MEMBERS PRESENT

Philip Angelides, State Treasurer, Chairperson
George Fenimore
Karen Russell
Jay Schenirer
Carolyn Widener
Annette Porini, representing State Director of Finance, Tim Gage
Kathleen Connell, State Controller
Richard Whitmore, representing State Superintendent of Public Instruction, Delaine Eastin

OTHER BOARD MEMBERS AND REPRESENTATIVES PRESENT

Gary Lynes
Paul Krasnow
Ted Eliopoulos
Christine Solich
Louis Willhoit

STAFF PRESENT

Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Elleen Okada, Director of Investment Administration and External Relations
Chris Waddell, Chief Counsel
Doug Wills, Staff Counsel
Ed Derman, DCEO, External Affairs and Program Development
Janice Hester Amey, Principal Investment Officer
Mary Ann Avansino, Administrative Assistant

OTHERS PRESENT

Ian Lanoff, Groom Law Group
Allan Emkin, Pension Consulting Alliance
Dorothy Moser, CTA/NEA, Retired
Michael Green, CTA
Pat Geyer, CRTA
Beverly Carlson, CTA
Lois Shive, CTA
Bill Collins, CTA
Ellen Logue, CTA/NEA, Retired
Steve De Pue, CTA

I. **CALL TO ORDER AND ROLL CALL** (Item 1)

A quorum being present, Chairperson Angelides, called the open session meeting to order at 8:47 a.m.

II. **APPROVAL OF MINUTES OF THE JULY 10, 2002 SUBCOMMITTEE ON CORPORATE GOVERNANCE, OPEN SESSION** (Item 2)

MOTION duly made by Ms. Russell, seconded by Ms. Porini and carried to approve the minutes of the July 10, 2002 Subcommittee on Corporate Governance, Open Session as presented.

Dr. Connell arrived at the meeting at 8:50 a.m.

Mr. Ehnes showed a video of a CNBC news statement by U.S. Attorney General John Ashcroft regarding Homestore.com.

Mr. Fenimore arrived at the meeting at 8:55 a.m.

III. **FINANCIAL MARKET REFORM** (Item 3)

Ms. Hester Amey presented an update to the Financial Reform Matrix. Discussion ensued. Staff was directed to prepare a discussion item regarding executive compensation and to highlight the 3 or 4 issues for primary focus.

Discussion continued regarding disclosure of proxy votes.

MOTION duly made by Ms. Russell, seconded by Ms. Widener and carried to authorize staff to develop a website to post CalSTRS policy and domestic proxy votes, and to write a letter to the SEC encouraging adoption of measures to require mutual funds and investment advisors to make public their proxy policy and voting.

IV. **HOMELAND SECURITY DISCUSSIONS** (Item 4)

Ms Hester Amey reviewed holdings in companies with exposure to Homeland Security concerns. Discussion ensued. Staff was directed to support federal identification of these companies.

V. **CORPORATE PENSION REPORTING** (Item 5)

Dr. Connell discussed concern over the practice of some public corporations use of inflated expected rates of return on pension assets to enhance the corporate bottom line. Discussion ensued.

MOTION duly made by Dr. Connell, seconded by Ms. Widener and carried to authorize staff discretion on a plan to implement the following: 1) analysis of company's projected return on pension assets when making future investment decisions; 2) communicate with companies in which CalSTRS is currently a shareholder to express concern with overly aggressive projections for rate of return on pension assets; 3) communicate directly with the FASB to express concern with the lack of transparency in the reporting of pension income allowed by current accounting standards; and 4) encourage the FASB to provide guidance to corporations in establishing projected rates of return on pension assets.

VI. **DRAFT AGENDA FOR THE NOVEMBER SUBCOMMITTEE ON CORPORATE GOVERNANCE MEETING** (Item 6)

The only changes to the draft agenda were the addition of a proxy voting report to be added as Open/Information and moving the Open/Information Tax Haven Corporate Governance item to February.

VII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 7)

There were no statements from the public.

VIII. **MOVE TO CLOSED SESSION**

Chairperson Angelides recessed the meeting and reconvened into closed session at 9:55 a.m.

IX. **ADJOURNMENT**

Chairperson Angelides stated that while in closed session the Subcommittee discussed litigation issues. There being no further business to conduct, the meeting was adjourned at 10:30 a.m.

Jack Ehnes, Chief Executive Officer and Secretary to the Teachers'
Retirement Board

Philip Angelides, Chairperson